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October 21, 2015

Ms. Kathleen Healy
Technical Director
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, New York 10017

IAASB Exposure Draft: *Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations* (July 2015)

Dear Ms. Healy:

This letter provides GAO's response to the International Auditing and Assurance Standards Board's (IAASB) exposure draft, *Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations*. GAO promulgates generally accepted government auditing standards (GAGAS) in the United States. GAGAS provide a framework for conducting high-quality audits of government awards with competence, integrity, objectivity, and independence and set ethical requirements for these audits. Auditors of both domestic and international U.S. government awards are required to use GAGAS. Therefore, we anticipate situations where the International Federation of Accountants' member auditors will practice in accordance with GAGAS and the amended International Standards simultaneously. Our comments reflect the importance we place on reinforcing the values promoted in both the International Standards and GAGAS.

We support the IAASB's effort to align the International Standards with the International Ethics Standards Board for Accountants' (IESBA) Non-Compliance with Laws and Regulations (NOCLAR) Project. We believe it will help improve consistency in the application of the standards.

The IAASB requested responses to the following questions. Our responses and an additional comment on changes the IAASB made in drafting the proposed amendments to the International Standards follow.

Responses to Questions Included in the Exposure Draft

Question 1. *Whether respondents believe the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies of approach or to clarify and emphasize key aspects of the NOCLAR proposals in the IAASB's International Standards.*

We believe that the proposed changes to the NOCLAR proposals in the IAASB International Standards are sufficient to address the issues raised and to clarify the International Standard on Auditing (ISA) 250 and the other standards. In our September 3, 2015, comment letter addressing the IESBA exposure draft entitled *Responding to Non-Compliance with Laws and Regulations*, we submitted recommendations on language changes and additions to address government considerations. We suggest that the IAASB consider the impact on the ISAs of any changes made to the IESBA code based on GAO's or other responses to that exposure draft.

Question 2. *The impact, if any, of the proposed limited amendments in jurisdictions that have not adopted, or do not plan to adopt, the IESBA Code. For example, would any of the changes to the IAASB's International Standards be deemed incompatible with the relevant ethical requirements that would apply in those jurisdictions?*

Based on our review of the proposed changes, nothing came to our attention that would be incompatible with GAGAS ethics requirements. We are only commenting on the changes' compatibility with GAGAS and not with requirements of other jurisdictions.

Additional GAO Comment

In addition to the comments above, we are proposing that the IAASB add an example in the Categories of Laws and Regulations list, paragraph A5a, for "Expenditures of grants and other public funds." This example would incorporate government considerations not already included in the list.

Thank you for the opportunity to comment on these important issues. If you have questions about this letter or would like to discuss any of the matters it addresses, please contact me at (202) 512-3133 or dalkinj@gao.gov or Eric Holbrook, Assistant Director, at (202) 512-5232 or holbrooke@gao.gov.

Sincerely yours,



James R. Dalkin
Director
Financial Management and Assurance